



## UNDERWRITING AND LOAN CRITERIA

### VDH ROLE

VDH will only serve as a lender and informal advisor to churches. VDH will not serve as a joint venture partner or equity investor in any church redevelopment project. It will not guarantee or participate in any third-party agreements for the project. Any referrals (e.g. for a development partner) are provided by VDH to the church as a courtesy only, without any guarantee of their performance or value. All VDH advice provided is for the information of the church and is not to be relied upon without independent verification by the church.

### CHURCH ROLE

The church is solely responsible for oversight of the real estate development project. The church should conduct its own discernment on plans for redevelopment and its own due diligence on any partners, information or procedures.

### APPROVALS

VDH Board to approve all loans. No disbursements may be made without approval of the full board and written documentation. The VDH administrator must have the approval of the Executive Committee for all disbursements if the full board is unavailable.

### CHURCH OBLIGATIONS

The rector and Senior Warden of the borrower must participate jointly in all discussions with VDH including at least one joint presentation to the full board of VDH. They must jointly sign any agreement and be copied on all notices. They are responsible for affirming that they have the full authority and approval of the Vestry and, if needed, the congregation and the Diocese, for any loan agreement, any disbursement and any loan modification. The church will provide quarterly written updates to VDH on their progress, on the project status and church financial statements during the life of the loan. The church will notify VDH within five business days of any major change in the project status.

### CHURCH FINANCIAL COMMITMENT

The church must provide a minimum of 50% in matching funds for any loan/grant provided by VDH for the redevelopment. The church must submit complete financial statements to VDH, including a balance sheet and most recent operating statement, certified by the rector, senior warden and treasurer, as part of the underwriting process. The church must be able to demonstrate its ability to fund the projected predevelopment costs of the project, as well as be current on all debts and obligations, including payments due to the Diocese.



### LAND DONATION

VDH is open to discussing a church donation of land where VDH would identify a willing nonprofit development partner as the ultimate recipient of the land, e.g. Goodwin House. The church could play a supporting role in the project, however, it would transfer responsibilities and decision-making to the development partner as described in a Contribution Agreement. VDH would conduct due diligence on the property before accepting the donation, e.g. redevelopment feasibility, environmental hazards, liens

### USE OF FUNDS

VDH's funds are intended to be used for short-term, predevelopment costs for projects that may result in mission-oriented redevelopment of church-owned properties into places to live. Funds are not available as project equity or long-term loans. The church must submit a proposed, detailed budget as part of the loan/grant application.

### TERM

All VDH loans will be due in full at the expiration of the term. The term shall end at earlier of: the church closing on its redevelopment project construction financing, sale of the property, the church abandoning the project, or 24 months from issuance.

### LOAN AMOUNTS AND DOCUMENTATION

- a. For discernment grants at or under \$5,000, a Grant Agreement will be prepared describing the proposed use of funds and signed by all parties. Funds would be available for spiritual advisors to assist with the church's discernment process. Zero interest charged.
- b. For loans at or under \$25,000, the primary documentation will be a short Promissory Note, based on the model of the Christ Church note. No security or interest is required if the loan amount is \$25,000 or less. A vote of the Vestry is required. Funds available for legal, civil engineering, architectural, experienced development advice. Zero interest.
- c. For loans above \$25,000 and up to \$100,000, a longer template form will be drafted by the VDH general counsel. VDH will require a congregational vote, approval of the Bishop and the Standing Committee. VDH may also need approval of the Circuit Court—counsel to determine when the loan documentation is being drafted. Depending on the loan term and amount, interest may be charged and a security interest in the real estate. Eligible for predevelopment costs of an approved project, including legal, civil engineering, architectural, development management.